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## Comparative study of factors of existing loan, sources, rate of interest. Income, education for credits from organized loan provider

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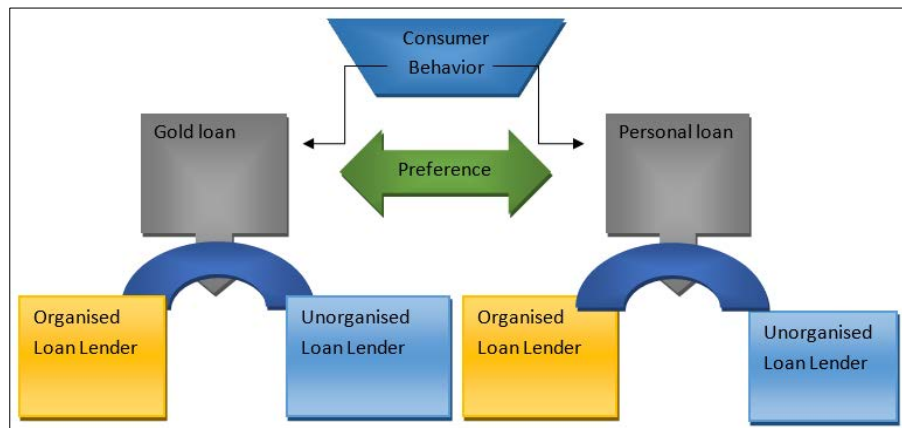
### Abstract

The study is on the existing loan, sources of the existing loan, the purpose of the loan taken, and current loan amount and rate interest paid was vital information collected for analysis the respondent's existing preference of the loan in the parameter of the rate of interest, source, purpose, loan amount. This has helped to analyses the perspective borrowers. The changing trend in the loan market which has given support in fulfilling the need of financial requirement of the individual either by gold or personal loan is in win-win policy. The consumer gets convenient loan and lenders get expectable business for their organizations. The researcher has made an attempt to contribute to the discipline of Consumer behavior (CB) and Financial Institution's studies. The problems of preference have been portrayed in the study, which would help the prospective consumer to consider before going for any type of financial assistances.

**Keywords:** preference, perception, experience, age, education, income, occupation, rate of interest

### 1. Introduction

This research paper deals with analysis of Preference (opinion) about the Gold Loan, Personal Loan from Organised Loan lenders (Public Banks and NBFCs), Unorganised Loan Lenders (Jewellers and Chit funds, Pawn Brokers). The Fact os that either Gold loan or Personal loan have been provided by both organised as well as unorganised loan Lenders, traditionally it was dominated by unorganised loan lender. In recent times the market scenario has changed due to increase in demand of seeking loans by the consumer as such therev is entry of organised loan lenders. Organised lenders have started offering comprehensive range of loans to consumers. This researcher has made an attempt to undertake comparative study of gold loan and personal loan preference. The topic of the research study is' Comparative study on Consumer behavior towards the gold loan and personal loan from Organised or Unorganised loan lenders. The topic explained in diagrammatic form in diagram 1.1



**Diagram 1.1:** Consumer Behaviour towards Gold Loan and Personal Loan

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The above diagram 1.1 describes the complete study design conducted by the researcher on this research topic taken. The researcher proceeded with Demographic factors (Age, Education, Income, and Occupation) by identifying the Borrower's profile (Consumer's Profile). Further scaling 'Perception' through Experience, Expectation and Credibility and lastly scaling 'Preference Scale' included in this Research paper. To get the appropriate responses in these factors, all these variables were properly included in the structured questionnaire. To analyse the comparison, the researcher has used 'Consumer Preference Scale' towards the gold loan or personal loan in organised and unorganised loan provision through Questionnaire.

**2. Research Methodology**

The classification of the variables as follows

Dependent Variables	Independent Variables
<ul style="list-style-type: none"> <li>•Gold loan,</li> <li>•Personal Loan</li> <li>•Organized loan lenders (Public Banks and NBFCs)</li> <li>•Unorganized loan lenders( Jewelers and Chit funds , Pawn Brokers)</li> </ul>	<ul style="list-style-type: none"> <li>•Preference</li> <li>•Perception</li> <li>•Experience</li> <li>•Age</li> <li>•Education</li> <li>•Income</li> <li>•Occupation</li> <li>•Rate of interest</li> <li>•Easy procedures</li> <li>•Minimum Documentations</li> </ul>

The study revolves around these variables, which are classified as Dependents and Independent variables. In this, researcher has covered variables by testing hypotheses (H1) and Hypothesis (H2) on the bases of the field survey conducted by structured questionnaire. The researcher explains these variables with the help of diagram and tables. Present study has two levels of samples.

**Sample Framework**

The study includes 739 respondents and 50 officers or managers of financial institutions (organised or unorganised) which help the researcher to study Preference, Perception and increasing Acceptability, Reliability of borrowers towards organised loan Lender. The population includes two categories from the organised sector (Public sector banks, NBFCs) and unorganised sector. The two categories of loans are Personal Loan and Gold Loan. Researching used random method of sampling for conveniently obtaining responses from the two categories from Mumbai region. Similarly, a researcher has also drawn a sample of Fifty-Superiors or Managers or Owners of the Financial Institutes from public sector banks, NBFCs and Unorganised Loan Lending sector. The details of the sample size are provided in the following tables:

**3. Sample Frame for study**

**Table 1.5(c):** Sampling Justification for the study

Sr. No	Types of Sampling	Size			Justification	Field – Survey	Online Survey
		AGLB	PGLB	Total(A)			
1	Gold Loan from Organised /Unorganised loan lenders.	78	292	370	The sample size is equally distributed to study the preference of gold loan, whether from organised lenders or unorganised lenders.	75%	25%
2	Personal Loan-Organised /Unorganised loan lender	265	104	369			
Total (A+B)		343	396	739			

(Source: Compiled from the field study)

- Actual Gold Loan Borrowers – AGLB, Prospective Gold Loan Borrowers-PGLB
- PGLB- also include some numbers of respondents who already have existing loan (Home, Car, Education etc.) but for the study those might be prospective for Gold Loan or Personal Loan.

The researcher could arrive at selected 739 samples as from the field survey and on-line survey. Actually 765 responses were received. But the researcher selected only 750 respondents. Out of which only authentic 739 responses were distributed in 370 respondents towards gold loan and 369 respondents towards Personal loan to get statistics results. Remaining responses were not included as the information received was incomplete provided by respondents. The respondents are Actual and Prospective borrowers of gold loan and personal loan. The total Actual borrowers are 343 i.e. 46.4% and Prospective is 396 i.e. 53.5%.

The field survey was conducted to analyse the respondents on the basis of their following Parameters:

- Types of their existing Loan
- Sources of their Loan
- Purpose of their Loan

- Current Loan Amount
- Rate of Interest on Loan taken.

The study on the existing loan, sources of the existing loan, the purpose of the loan taken, and current loan amount and rate interest paid was vital information collected for analysis the respondent's existing preference of the loan in the parameter of the rate of interest, source, purpose, loan amount. This has helped to analyses the perspective borrowers.

**4. Graphical presentation on the data collected through survey and its interpretation**

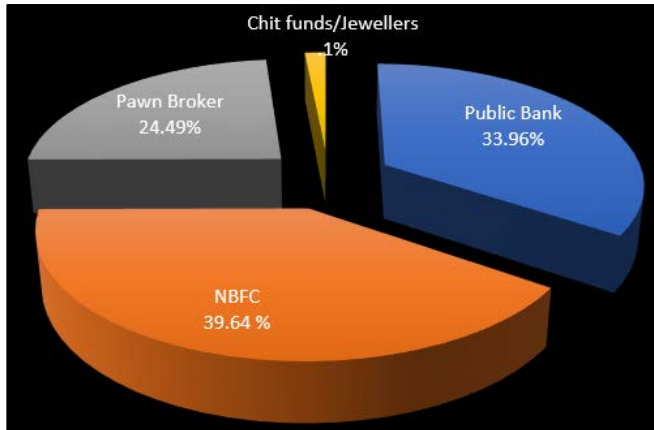
**1.3 Sources of Loan**

On the basis of the survey, one can conclude that there are various types of loan available in the market. It is also necessary to study the sources of loan that is Loan lenders in other words loan Lenders. The lenders are classified in an Organized and Unorganized Loan lenders. In this the study unorganised loan lenders include Public Banks and NBFCs and Unorganised Loan lenders include Pawn Brokers, Chit funds, Jewellers. Initial study is to know whether the existing Borrowers have taken which types of loan and sources from where they borrowed. The study was conducted to know the existing loan as well as Sources of loan of the respondents.

**Table 1.3:** Sources of Loan

Particulars	No. of Respondents	Percent	
Sources of loan	Public Bank	251	33.96
	NBFC	293	39.64
	Pawn Broker	181	24.49
	Chit funds/Jewellers	1	.13
	Total	726	91.24
Missing System	13	1.76	
Total	739	100	

(Compiled from the field-survey) \* missing system figure has not been presented in the chart. 1.3 below



**Chart No.1.3:** Sources of Loan

The above table 1.3 and Chart No. 1.3 indicate the Sources of Loan frequently preferred by the borrowers. It shows that Public Banks is 251 i.e. 33.96 percent and NBFC 293 i.e. 39.64 percent, Pawn Brokers 181 i.e. 24.49 percent and only 01 i.e.13 percent respondent have taken loans from the Chit fund. This indicates that amongst the total respondents 739, 544 respondents have already taken loans from organised loan lenders (Loans may be Home loan, car loan, education loan, medical loan. That is 73.6 percent of the total respondents, have opted for an organised loan lender for any type of loan as per their requirement. And the remaining 0.13 percent have taken loan from an unorganised loan lender.

**1.6 Rate of Interest on Loan Taken**

In this study the Rate of Interest is on the Existing loans of the Respondents. With reference to the Table 1.2 and Table 1.3, it has been observed that 374 respondents have taken other loans (other loans include Home loan, Car loan, education loan and Construction loan, etc.) And even the personal loan borrowers are also on the higher side and the sources of loan opted is Public Bank that is organized loan lender.

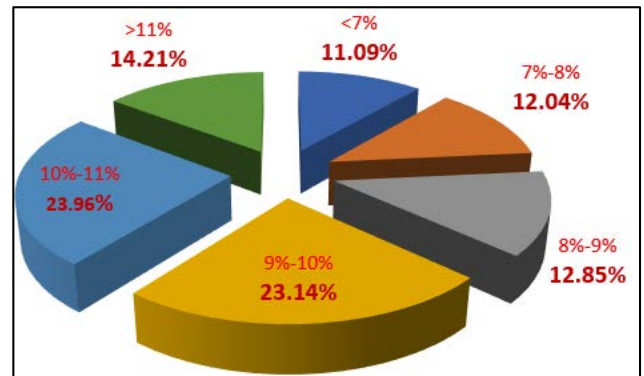
The researcher initially studied the Rate of Interest on existing Loan to further analyse:

- This helped the further comparative study on Rate of Interest of Gold Loan and Personal Loan with the Rate of Interest on Other Loans.
- It also helped to analyse the comparative study on Interest Rate between Organised Loans lenders and Unorganised Loan lenders. The Rate of interest to study is scaled as follows:

**Table 1.6:** Rate of Interest paid on existing Loan taken

Rate of Interest paid on existing Loan taken Interes	No. of Respondents	Percent	
Valid	<7%	82	11.09
	7%-8%	89	12.04
	8%-9%	95	12.85
	9%-10%	171	23.14
	10%-11%	177	23.96
	>11%	105	14.21
Missing system	20	2.71	
Total	739	100.0	

(Compiled from the field-survey) \* missing system figure has not been presented in the chart.1.6 below



**Chart No.1.6:** Rate of Interest paid on existing Loan taken (Compiled from the field-survey)

The Table 1.6 and Chart 1.6 depict the Rate of Interest paid on the existing loan. This study helped the further comparative study on Rate of Interest paid with Monthly Income. In order to study the Rate of Interest paid on existing loans. The researcher scaled the Rate of Interest paid on existing loan as follows:

Less than 7 percent, between 7 percent -8percent, between 8 percent, -9 percent, between 9percent -10 percent, between 10percent -11 percent, less that 11 percent It can be observed that the response of the Rate of Interest in the range 10 percent to 11 percent is 23.96 percent of the total, which seems to be at the higher side as compared to the other on the basis of this, one can conclude that the borrowers are comfortable with Interest rate in the range of 10-11 percent.

**Conclusion**

The Loan lenders, executives in the financial institution will get an insight about the dynamics related to Customer service policies considering the preferences. Thus, the research study is expected to contribute favorably as guidance to financial needy consumers in society, executives in the organizations and the policies related to it's for the development of systemic change in the Indian economy at large.

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